



**U. S. DEPARTMENT OF VETERANS AFFAIRS**  
**Regional Office, Fort Snelling**  
**1 Federal Drive**  
**St. Paul, MN 55111-4050**

August 18, 2000

REGIONAL LOAN CENTER MEMORANDUM NO. 00-17

TO: ALL APPRAISERS

SUBJ: CHANGES TO APPRAISAL PROCEDURES IN THE REVISED VA LENDER'S HANDBOOK

1. On August 1, 2000, the new version of VA Pamphlet 26-7, Revised, the *VA Lender's Handbook*, was released. The new version is available for download in Microsoft Word format on the Internet at <http://www.homeloans.va.gov/handbook.htm>. The new version of the *VA Lender's Handbook* incorporates several changes to Construction & Valuation. These changes have a direct impact on appraisers. We recommend that appraisers download a copy of the handbook for details of the changes.
2. Starting immediately, condominium and planned unit development (PUD) appraisals will be prepared on Freddie Mac Form 465/Fannie Mae Form 1073, *Individual Condominium or PUD Unit Appraisal Report*. This does not eliminate the requirement for a narrative report or for the certification that the appraiser reviewed the legal documents. Appraisals on properties of two or more living units will be prepared on Fannie Mae Form 1025, *Small Residential Income Property Appraisal Report*. We will continue to accept both types of appraisals on the standard URAR until January 1, 2001, but we highly recommend that you start using the new forms as soon as possible. In Section 11.13 there is an example of a repair addendum for liquidation appraisals (Figure 1) that can be used by fee appraisers to meet our requirements.
3. "Special Exception" processing has been eliminated. VA will accept new construction cases completed except for customer preference items with either a 10-year insurance-backed protection plan or with a one-year builder warranty. If a property is complete except for customer preference items, the appraiser should just complete the appraisal and submit it to either the lender (LAPP cases) or to VA. In Section 10.08 there is additional guidance on customer preference items.
4. The policy requiring appraisers to value excess land as raw land has been eliminated. From now on, appraisers should value all land involved in the transaction (Section 11.12). The presence of lead-based paint is to be assumed in any property built before 1978. The VA Minimum Property Requirements have not been otherwise revised on lead-based paint.

5. Lenders participating in the Lender Appraisal Processing Program (LAPP) can now process proposed and new construction cases. Lenders can submit any proposed construction case directly to the appraiser. Cases submitted as proposed construction or under construction still require plans and specifications and the appraiser certification that the appraisal report is based on the plans and specifications. The appraiser should receive one set of the plans and specifications with the appraisal request and should forward them to either VA or the lender along with the appraisal report. As part of VA's move to electronic transmission, we are encouraging the use of plans reduced to 8.5 inches by 11 inches. If you have an email address, you may receive these reduced size plans electronically along with the appraisal request. Builders may now use their own specification sheets in lieu of VA Form 26-1852, provided the specifications are substantially the same as VA Form 26-1852.
6. Lenders may now send value appeal data directly to appraisers. Please evaluate the data and send your response to the lender if this is a LAPP case or to VA for other cases. There is no additional fee for value appeals, but you do not have to do more than an office review of the comparable data.
7. Appraisers should be aware that VA is actively moving toward electronic transmission of appraisal reports. A pilot program is currently underway in the St. Petersburg Regional Loan Center using Adobe Acrobat to send appraisal reports to VA or the lenders by email. Appraisers who are not yet using computers to prepare their reports or using digital cameras are encouraged to move this direction. Appraisers who do not yet have email access are encouraged to get it.
8. We are planning fee appraiser meetings for later this calendar year to discuss these changes. We will also be looking into fee schedule revisions this Fall. We highly recommend that you download a copy of the *VA Lender's Handbook*. It can be downloaded by chapter. The chapters relevant to Construction & Valuation are 10 through 16. Some needed corrections to the revised handbook have been identified and VA is in the process of correcting them.

/s/D. F. Munro  
D. F. MUNRO  
Loan Guaranty Officer